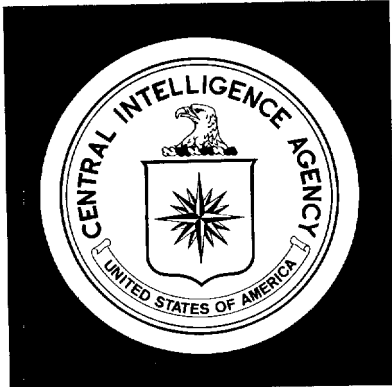


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CHINA-JAPAN: Peking is taking a very relaxed attitude toward Japanese defense arrangements in the wake of normalization of relations.

In a recent conversation with a Japanese newsman, Liao Cheng-chih, China's senior official responsible for Sino-Japanese affairs, said that the Japan-US mutual security treaty and Japan's self-defense force are "essential for the preservation of peace and security in the Far East." Liao also said that Peking's decision to invite Prime Minister Tanaka to China should be viewed as an open and official endorsement of Japanese defense arrangements as they presently exist. Liao buttressed his argument by claiming that the US was reducing its presence in Asia and that Moscow at present constitutes the greatest threat to Asian stability.

This approach represents a reversal of the Chinese position in the period when former prime minister Sato was in power. Until Sino-Japanese relations began to improve late last year, Peking's propaganda attacked Japan's "remilitarization" efforts and inveighed, at least in pro forma fashion, against the US military presence in Japan. Moreover, in his conversation with the newsman, Liao went out of his way to disparage the Japan Socialist Party (JSP), which has long opposed both the US treaty and the self-defense force, noting that the party's leader could not have performed better than Tanaka. Peking for a number of years had cultivated the JSP in an effort to influence Japanese domestic politics. Liao's gratuitous slur seems designed to serve notice that China sees little

future for the relatively ineffective Japanese leftists and plans to continue to cultivate the conservative government in Tokyo.

Chinese fears of an expansionist Soviet role in Asia, although expressed in lurid terms in these conversations, are undoubtedly genuine, and Peking may even have some apprehensions that a Soviet-Japanese alignment against China--an extremely unlikely development--might take place at some future date. More immediately, the Chinese appear to be signaling Tokyo that they have no intention at present of undermining Japanese defense arrangements while warning Japanese leftists that they can no longer curry favor in Peking by opposing those arrangements. The Chinese have also recently told visitors that the US military presence elsewhere in Asia--for example, Thailand and the Philippines--does not trouble Peking. With the war in Indochina drawing to a close, they appear to be less inhibited in suggesting to others that the US and China have a mutuality of interest in preserving certain aspects of the present power balance in the Far East.

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PANAMA: Meetings last week in Panama City between US negotiators and top Panamanian officials did not result in a narrowing of differences and the canal talks remain stalemated.

Although General Torrijos returned all of the buses which had been seized from the Canal Zone by striking Panamanian drivers before the sessions began, he demonstrated little or no flexibility during the talks. [REDACTED]

[REDACTED]

Torrijos continues to believe that Panamanian pressure will lead to further US concessions and may focus greater domestic attention on the canal issue over the next couple of months. The Communist-dominated student federation, for example, is expected to concentrate on the canal problem in a major rally today. The demonstration reportedly will not be allowed to become violent or spill off the university campus, but official sanction has been given and official speakers will be provided.

Foreign Minister Tack, meanwhile, told US officials that Panama would not back away under any conditions from its efforts to have a Security Council meeting in Panama in March. He stated that the meeting had nothing to do with the canal negotiations and that the US would not be harassed. Notwithstanding these assurances, Torrijos will keep his options open between now and March. [REDACTED]

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